

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7240

Petition of Woodstock Aqueduct Company,)
pursuant to 30 V.S.A. § 108, for Consent to)
issue evidence of indebtedness for the purpose)
of consolidating certain existing loan obligations)

Order entered: 12/21/2006

I. INTRODUCTION

On November 9, 2006, Mr. Eric Wegner, Vice President of Woodstock Aqueduct Company ("Woodstock"), filed a letter with the Public Service Board ("Board") seeking Board consent to the issuance of evidence of indebtedness to refinance certain existing loans at more favorable interest rates. The existing loans have been extended to Woodstock over the past twenty years from various lenders to build new water mains, construct a storage tank and install water pumps and wells.

On December 13, 2006, the Department of Public Service ("Department") informed the Board that it had reviewed the filing. According to the Department, refinancing Woodstock's existing loans at favorable long-term interest rates would provide significant benefits to Woodstock and its customers. Based on its review, the Department recommended approval of Woodstock's request without further investigation or hearing.

In this proceeding, I have interpreted Woodstock's letter to be a petition asking for Board consent to the issuance of evidence of indebtedness, pursuant to 30 V.S.A. § 108. Based on Woodstock's representations, the Department's recommendation and Woodstock's annual report, I conclude that Woodstock's request to consolidate and refinance existing debt would be consistent with the general good of the state of Vermont. As such, I recommend that the Board consent to the issuance of evidence of indebtedness and issue an Order to that effect without further investigation or hearing.

II. FINDINGS

1. Woodstock Aqueduct Company is a privately-owned Vermont corporation. Letter of November 9, 2006, at 2.
2. Woodstock was incorporated in 1886 to provide retail sales of water to the residents and businesses of Woodstock, Vermont. 2005 Annual Report at 8.
3. Woodstock provides service to 679 residential and commercial customers. 2005 Annual Report at 3.
4. In 2005, revenues amounted to \$399,337. 2005 Annual Report at 3.
5. Woodstock proposes to refinance existing evidence of indebtedness into two loans; a commercial loan ("Loan A") in the amount of \$280,000 and a commercial line of credit ("Loan B") in the amount of \$50,000. Letter of November 9, 2006, at 2.
6. Currently existing loans were originated for the purpose of extending new water mains, constructing a storage tank and water wells. Letter of November 9, 2006, at 1.
7. Consolidation of existing loans into loans A and B referenced above will not affect the current rates of Woodstock. Letter of November 9, 2006, at 1.

III. CONCLUSION

30 V.S.A. § 108(a) states:

A domestic corporation subject to the jurisdiction of the public service board shall not mortgage nor pledge any of its corporate property nor issue any stocks, bonds, notes or other evidences of indebtedness without the consent of the public service board given on petition and after opportunity for hearing of the corporation or its incorporators and a finding of the board that the proposed action will be consistent with the general good of the state. Notice of the hearing shall be given as the board directs.

Based on the Department's recommendation and Woodstock's representations, I find that approval of the request to refinance existing loans at more favorable long-term interest rates is consistent with the general good of the state of Vermont. Proposed Loan A will replace an existing loan with an annual interest rate of 9.5 percent with a new commercial loan with an

annual interest rate of no more than 8.0 percent.¹ The interest rate on Proposed Loan B, a line of credit, will vary each month depending on the Prime lending rate. The current rate is 8.25 percent. By reducing interest payments, Woodstock would reduce its cost of service which may result in consumer benefits over time. Furthermore, the consolidation of existing loans into two loans would be virtually transparent to customers and not cause confusion or inconvenience. Thus, I recommend that the Board issue an order consenting to the issuance of evidence of indebtedness not to exceed a total of \$330,000. Additionally, I recommend that the Board require Woodstock to notify the Department and the Board within ten days of consummating the refinancing.

Pursuant to 30 V.S.A. § 8, I hereby report the above findings to the Board.

Because the recommendation is not adverse to any party, it has not been circulated for comment.²

Dated at Montpelier, Vermont, this 20th day of December, 2006.

s/Thomas S. Lyle
Thomas Lyle
Hearing Officer

1. Terms of the proposed loan are optional depending on the length of the loan. Under the loan offering agreement, Woodstock may choose one of three options: (a) 7.50% fixed for five years; (b) 7.75% fixed for seven years; or (c) 8.0% fixed for ten years. Letter of November 9, 2006.

2. See 3 V.S.A. § 811.

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The Findings, conclusions and recommendations of the Hearing Officer are adopted.
2. Pursuant to 30 V.S.A. § 108, the Board consents to the issuance of evidence of indebtedness to refinance existing loans.
3. The issuance of indebtedness up to \$330,000 by the Woodstock Aqueduct Company is consistent with the general good of the State of Vermont.
4. Woodstock shall provide written notice to the Department and the Board within ten days of consummating the refinancing of existing loans.
5. This Order does not constitute approval of the underlying capital structure that may result from the consolidation of existing loans in Loans A and B, referenced herein. Nothing in this approval shall preclude the Department of Public Service or any other party, or the Public Service Board, from reviewing and/or challenging the resulting capital structure in any future proceeding.

Dated at Montpelier, Vermont, this 21st day of December, 2006.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: December 21, 2006

ATTEST: s/Susan M. Hudson

Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.